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Support Policies for Exports of Agricultural Products in Korea

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ABSTRACT

Since the late 2000s, the Korean government has been making aggressive efforts to increase exports of agricultural products. As a result, agricultural exports have nearly tripled over the past decade. This article examined the structure of Korea's agricultural export support system and the characteristics of individual programs. The legal basis of the agricultural export support program implemented by the government is specified in the Basic Law of Agriculture and Rural Food Industry. The policies established in relation to the export of agricultural products are mainly implemented through the Korea Agro-Fishers & Trade Corporation (aT). Export support programs of aT can be divided into six categories such as discovery and development of export products, safety and quality control support, quarantine and customs support, construction of cold chain and local logistics system, pioneering overseas distribution network, providing information and consultation.

Keywords: Agricultural Exports, Export support policies, Support system for Exports

INTRODUCTION

Since the late 2000s, the Korean government has been making aggressive efforts to increase the exports of agricultural products. This includes, the introduction of various agricultural export support policies. . As a result, agricultural exports, which amounted to US\$ 2,532 million in 2007, increased sharply to US\$ 6,465 million in 2016 (KATI 2017).

The legal basis of the agricultural export support program implemented by the government is specified in the Basic Law of Agriculture and Rural Food Industry. According to the relevant laws, the Minister of Agriculture, Food and Rural Affairs can carry out projects for promotion of

agricultural exports, support for expenses and loans. The Basic Law of Agriculture and Rural Food Industry stipulates the directions and policies for the development of agriculture and the rural areas. It specifies the importance of agriculture and the rural areas and the necessity of related policies as basic principles. It also defines the nature of the agricultural and rural policies of the government. In relation to export support, Article 59 of the Law stipulates that the government can provide comprehensive support for agricultural producers and exporters. There are two Paragraphs in Article 59: (1) The central and local governments shall establish and implement policies necessary for the exploration of overseas markets and the collection and provision of trade information in order to promote the export of agricultural products and food and to spread the food culture of Korea. (2) In order to effectively implement the policy pursuant to Paragraph (1), the central and local governments may provide necessary support to agricultural firms, producers' organizations, persons engaged in the food industry, and persons exporting agricultural products.

Based on Article 59, the Korean government has introduced various agricultural export support policies. This article examined the structure of Korea's agricultural export support system and the characteristic of individual programs.

Agricultural Export Support Policy

The policies for the support of agricultural products export are being set up by the Ministry of Agriculture, Food and Rural Affairs. The department responsible for the export of agricultural products is the Export Promotion Department under the Food Industry Policy Office. It is responsible for the establishment of export strategy, management of export infrastructure, management of emerging markets such as Halal food market, promotion of export promotion items, holding and operation of K-Food Fair, media marketing, and operation of public relations center for domestic and overseas agricultural products, researching export-related information, establishing overseas marketing strategies, and so on. The policies established in relation to the export of agricultural products are mainly implemented through the Korea Agro-Fishers & Trade Corporation (aT), and local governments provide administrative and financial support for related programs (Ministry of Agriculture, Food and Rural Affairs, Korea Agro-Fishers & Trade Corporation 2016).

Export support programs of Korea Agro-Fishers & Trade Corporation (aT) can be divided into six categories. These are discovery and development of export products, safety and quality control support, quarantine and customs support, construction of cold chain and local logistics system, pioneering overseas distribution network, providing information and consultation (Figure 1). RDA also develops and studies export items, and the Food and Drug Administration is responsible for the safety management of exported agricultural products. In addition, the National Agricultural Products Quality Management Service conducts quality management for exported agricultural products, Korea Food Research Institute develops export agricultural products and enhancing competitiveness methods, Korea Rural Economic Institute develops export related policies, conducts overseas market research, and evaluates export support projects. Those agencies support the export of agricultural products in related fields.

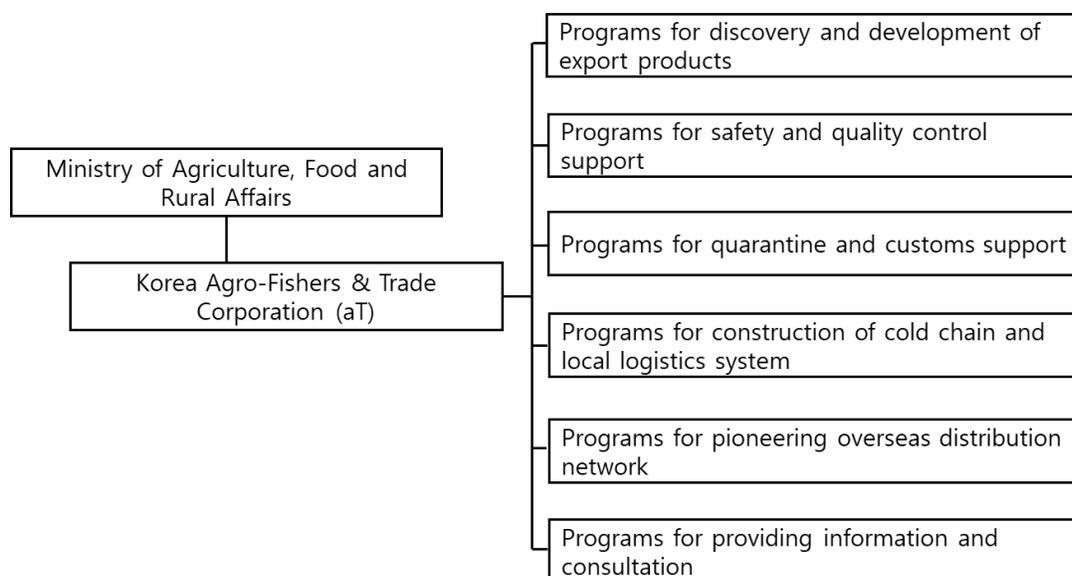


Fig. 1. Agricultural Products Export Support Programs

The Ministry of Agriculture, Food and Rural Affairs, the Korea Agro-Fishers & Trade Corporation (aT), and local governments are the main players that directly implement and manage agricultural products export support programs. The agricultural and livestock export support program can be classified into the programs supported by the Ministry of Agriculture, Food and Rural Affairs and the Korea Agro-Fishers & Trade Corporation (aT) and the programs supported by the local governments. The types of businesses supported by the Ministry of Agriculture, Food and Rural Affairs through the Korea Agro-Fishers & Trade Corporation (aT), which is a public enterprise, include a variety of programs such as export-related product development and discovery program, safety and quality management support program, quarantine and customs support program, cold chain establishment program, overseas distribution network related program, export information investigation and consulting related program (Ministry of Agriculture, Food and Rural Affairs, Korea Agro-Fishers & Trade Corporation 2016).

Recently, local governments have introduced and implemented various export support projects in order to expand exports of agricultural products and specialties in each region. The export support projects implemented by local governments are similar to those supported by the Ministry of Agriculture, Food and Rural Affairs Korea Agro-Fishers & Trade Corporation (aT). Individual support programs by local governments are somewhat different, but mainly education and consulting for exporters and export farmers are conducted, export complexes are created, and management support is provided for farmers who are engaged in exports. In addition, local governments have opened overseas markets, promoted in local markets, and provided logistical support and quality certification support.

Programs for discovery and development of export products

Since 2009, the government has been carrying out a program to nurture export leading organizations in order to improve the quality of exports and agricultural products and secure the export volume. The leading export organization is a consortium of exporters, export specialist

groups or producers' organizations, which consist of all stages from production to distribution, marketing and exports (Korea Agro-Fishers & Trade Corporation 2017). Therefore, the export leading organization conducts most of their export activities such as education, cultivation, safety management, quality control, harvesting, selection, packaging, promotion, and exports. Supported items are fresh produce, and as of 2015, strawberries, pears, paprika, apples, cabbage, mushrooms, cut flowers, etc. were supported.

In order to prevent excessive competition among domestic exporters and to maintain autonomous export order between exporters and producers, export councils for each item are being implemented. Starting with the paprika export council in 2008, the export council of 19 items including kimchi, traditional pear, pear, orchid, persimmon, rice, food companies, citron tea, mushroom, ginseng, vegetable seeds, rice wine, apple, strawberry, chicken, etc.. The commodity-specific export council is establishing a cooperation system between exporters and promoting exchanges of opinions to expand exports by resolving export issues such as shipment control and price setting. They also have established export guidelines and are conducting joint marketing projects.

The Korean government decided to benchmark the case of paprika, which has a large increase in production as an export-oriented item, and to select and cultivate 'second paprika' by major export destination countries. Five items of ginseng, mushrooms, citron tea, flowers, and dairy products were selected as strategic items for export to China. The company mainly focuses on promoting awareness in the Chinese market and promoting to local distribution channels. Major businesses include launching promotions in airplanes and airports, strengthening publicity in local supermarkets, making promotion using K-FOOD Fair and Antenna Shop, producing and distributing promotional materials, and promoting via online advertising. In addition, there are export merchandising program to support product development, product improvement, export consultation and marketing expenses for new products, and global brand development program is also implemented to support brand registration, consulting and marketing expenses (Korea Agro-Fishers & Trade Corporation 2017).

Programs for safety and quality control support

In order to establish a stable supply system and to strengthen the competitiveness of the production base for the designated export specialized production complex, the export specialist complex organizing education project is being implemented. This project is supported for export safety education and technical education as well as organizing education. In order to prevent problems in export customs process, the Korean government implemented a safety management project. It also supports residual pesticide inspection costs, food hygiene inspection costs, and pre-registration for processed foods. In addition, the Korean government also implemented a leading maintenance program to support the purchase of leading packs or pads for flowers, fruits, and vegetables (Korea Agro-Fishers & Trade Corporation 2017).

Programs for quarantine and customs support

Inviting quarantine officers program is underway for the purpose of establishing a regular consultation channel to quickly respond to the quarantine and customs problems, diversification of export markets, and information exchange between the exporting and importing countries. This program invites quarantine officers from USA, Vietnam, Thailand, Indonesia, Philippines and Taiwan, which are major export destination countries. The officers visit safety management

institutes, and visit safety analysis facilities and food quarantine sites.

The Korean government also implemented a foreign certification registration support program to support the cost of acquiring and extending foreign certification such as Halal, Kosher, ISO22000, FSSC22000, FDA, Global GAP, and organic processed food certification. Also, In order to reduce the management risk of exporters, the Korean government provides subsidy for participation in export insurance. In addition, government also operates the sample customs process cost support program and the localization support program (Ministry of Agriculture, Food and Rural Affairs, Korea Agro-Fishers & Trade Corporation 2016).

Programs for construction of cold chain and local logistics system

The Korean government has a program to partially support expenses of export logistics for items such as fruits, vegetables, flowers, ginseng, livestock products, traditional liquors, kimchi, tea, (Ministry of Agriculture, Food and Rural Affairs 2016). The Korean government also has selected logistics specialists in charge of joint logistics for major export routes in order to achieve the reduction of freight rates by exporters. In addition, the government implemented program that utilizes foreign joint logistics centers (Ministry of Agriculture, Food and Rural Affairs, Korea Agro-Fishers & Trade Corporation 2016).

Programs for pioneering overseas distribution network

The Korean government implemented a large-scale retail store promoting program that conducts promotion in order to expand the number of Korean products in the overseas large-scale retail outlets and raise consumer awareness. The government also recruits domestic agricultural product exporters for major overseas food expositions, supports the participation in the form of a national section, and supports booth rentals, equipment costs, basic equipment lease, and customs clearance (Ministry of Agriculture, Food and Rural Affairs, Korea Agro-Fishers & Trade Corporation 2016). The government also supports the operation of overseas antenna shops for foreign vendors, importers, and domestic exporters handling Korean agricultural products (Ministry of Agriculture, Food and Rural Affairs, Korea Agro-Fishers & Trade Corporation 2016). In addition, the government implemented a global K-FOOD FAIR and a buyer invitation program.

Programs for providing information and consultation

The export consulting program is divided into in-depth consulting and on-site coaching for small and medium agricultural products manufacturing and processing companies. In addition, programs are underway to provide various export information related to export of agricultural products such as overseas market trends, import/export system, import/export statistics. Through the AgroTrade website (<http://www.agrotrade.net/>), exporters are provided with a space for promoting agricultural products, and buyers are provided with a description of the goods, the name of the exporter, the location, contact information, exhibition information and so on. In addition, export support programs such as on-line mobile marketing, consumer experience promotion, media promotion are being implemented (Ministry of Agriculture, Food and Rural Affairs, Korea Agro-Fishers & Trade Corporation 2016).

CONCLUSION

Korean farmers and exporters are very small in scale, and it is hard to solve many difficulties in exporting their agricultural products. Support from the Korean government has helped to improve the quality of export agricultural products and to expand the overseas markets. Nevertheless, there are many questions about whether Korea 's agricultural exports can grow sustainably. First, in case of export of agricultural products, dependency on support expenses of export logistics is high, but this policy should be abolished soon according to the decision of WTO ministerial meeting. Second, the difficulties in securing export volume have been continuing due to the frequent shifts of export volume toward domestic market because of the difference between domestic prices and export prices. In other words, although policy plays an important role in the continuous increase of agricultural exports, basically, the capacity of farmers who are into exports and owners of export firms should be strengthened.

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Date submitted: April 15, 2018

Reviewed, edited and uploaded: April 26, 2018